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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Job Creation, Economic Development and Consumer Affairs (SC-JCEDCA)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Mike Barman (LRB) (August/2012)

Senate

Record of Committee Proceedings

Committee on Job Creation, Economic Development and Consumer Affairs

Senate Bill 86

Relating to: adopting changes to the Internal Revenue Code for state income and franchise tax purposes.

By Senators Brown, Kapanke, Stepp, Lassa, Kanavas, Leibham, Zien, Grothman, Wirch, Roessler and Carpenter; cosponsored by Representatives Musser, Mursau, Jensen, Albers, Ballweg, Bies, Boyle, Davis, Freese, Gard, Gronemus, Gunderson, Gundrum, Hebl, Hines, Hubler, Hundertmark, Wood, Kestell, Krawczyk, Kreibich, Lothian, McCormick, Moulton, Nass, Nischke, Ott, Owens, Petrowski, Pettis, Strachota, Suder, Townsend, Van Roy, Vos and Vrakas.

February 28, 2005 Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

April 19, 2005 **PUBLIC HEARING HELD**

Present: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Absent: (0) None.

Appearances For

- Ms. Sherrie Gates-Hendrix, Madison — Department of Revenue
- Mr. Daniel Lindstedt, Madison — Office of Senator Ron Brown

Appearances Against

- None.

Appearances for Information Only

- None.

Registrations For

- Robin Vos, Madison — Representative
- Terry Musser, Madison — Representative
- Ms. Jordan Lamb, Madison — Wisconsin Biotechnology and Medical Device Association

Registrations Against

- None.

April 21, 2005 **EXECUTIVE SESSION HELD**

Present: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Absent: (0) None.

Moved by Senator Kanavas that **Senate Bill 86** be recommended for passage.

Ayes: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.
Noes: (0) None.

PASSAGE RECOMMENDED, Ayes 5, Noes 0

Jeremey Shepherd
Committee Clerk

Record of Committee Proceedings

~~Joint committee on Finance~~

~~Senate Bill 86~~

SENATE BILL 86 (LRB -1094)

An Act to amend 71.01 (6) (j), 71.01 (6) (k), 71.01 (6) (L), 71.01 (6) (m), 71.01 (6) (n), 71.01 (6) (o), 71.01 (6) (p), 71.22 (4) (j), 71.22 (4) (k), 71.22 (4) (L), 71.22 (4) (m), 71.22 (4) (n), 71.22 (4) (o), 71.22 (4) (p), 71.22 (4m) (h), 71.22 (4m) (i), 71.22 (4m) (j), 71.22 (4m) (k), 71.22 (4m) (L), 71.22 (4m) (m), 71.22 (4m) (n), 71.26 (2) (b) 10., 71.26 (2) (b) 11., 71.26 (2) (b) 12., 71.26 (2) (b) 13., 71.26 (2) (b) 14., 71.26 (2) (b) 15., 71.26 (2) (b) 16., 71.34 (1g) (j), 71.34 (1g) (k), 71.34 (1g) (L), 71.34 (1g) (m), 71.34 (1g) (n), 71.34 (1g) (o), 71.34 (1g) (p), 71.42 (2) (i), 71.42 (2) (j), 71.42 (2) (k), 71.42 (2) (L), 71.42 (2) (m), 71.42 (2) (n) and 71.42 (2) (o) of the statutes; relating to: adopting changes to the Internal Revenue Code for state income and franchise tax purposes. (FE)

2005

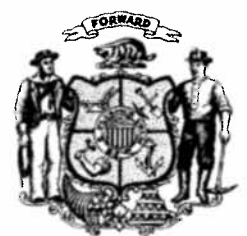
- 02-28. S. Introduced by Senators **Brown, Kapanke, Stepp, Lassa, Kanavas, Leibham, Zien, Grothman, Wirch, Roessler and Carpenter**; cosponsored by Representatives **Musser, Mursau, Jensen, Albers, Ballweg, Bies, Boyle, Davis, Freese, Gard, Gronemus, Gunderson, Gundrum, Hebl, Hines, Hubler, Hundertmark, Wood, Kestell, Krawczyk, Kreibich, Lothian, McCormick, Moulton, Nass, Nischke, Ott, Owens, Petrowski, Pettis, Strachota, Suder, Townsend, Van Roy, Vos and Vrakas**.
- 02-28. S. Read first time and referred to committee on Job Creation, Economic Development and Consumer Affairs 99
- 03-21. S. Fiscal estimate received.
- 04-19. S. Public hearing held.
- 04-21. S. Executive action taken.
- 04-22. S. Report passage recommended by committee on Job Creation, Economic Development and Consumer Affairs, Ayes 5, Noes 0 184
- 04-22. S. Available for scheduling.
- 04-22. S. Pursuant to Senate Rule 46 (2)(c), withdrawn from the committee on Senate Organization and rereferred to the joint committee on Finance 184

2006

- 05-11. S. Failed to pass pursuant to Senate Joint Resolution 1 853



WISCONSIN STATE LEGISLATURE





April 5, 2005

The Honorable Ted Kanavas
State Senator
State Capitol, Room 10 South
Madison, WI

- HAND DELIVERED -

Dear Senator Kanavas:

I write to respectfully request that the Senate Committee on Job Creation, Economic Development and Consumer Affairs schedule Senate Bill (SB) 86 for a public hearing. SB 86, introduced to your committee on February 28, 2005, seeks to bring state tax code into accordance with the federal tax code as it relates to the Military Family Tax Relief Act (MFTRA) of 2003.

SB 86 adopts, for state income and franchise tax purposes, changes to the Internal Revenue Code made by Public Law (PL) 108-121, the MFTRA of 2003. PL 108-121 provides, in part, for an increase in the death gratuity that is payable to the family of a deceased member of the armed forces and excludes the amount of the death gratuity from the calculation of gross income.

In short, the goal of SB 86 is to ensure that Wisconsin's tax code complies with changes made at the federal level and in turn, provide tax relief to the soldiers who protect our freedoms and their families who stand by their side.

I thank you for your consideration of this request. Should you have any questions regarding SB 86, please do not hesitate to contact me. I appreciate your attention to this matter.

Sincerely,

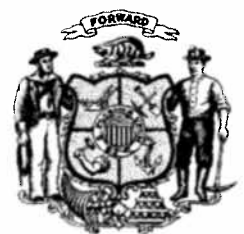
A handwritten signature of Ron Brown in black ink.

Ron Brown
State Senate
31st District

RB:dkl



WISCONSIN STATE LEGISLATURE





State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Senate Job Creation, Economic Development and Consumer Affairs Committee Hearing,
April 19, 2005

Senate Bill 86 – Adopt the Military Family Tax Relief Act of 2003 (Senator Brown)

Description of Current Law and Proposed Change

This bill adopts, for state income and franchise tax purposes, changes to the Internal Revenue Code made by Public Law 108-121, the Military Family Tax Relief Act of 2003 (MFTRA). MFTRA provides tax relief for members of the military and their families, beginning in 2003. Under current law, Wisconsin taxpayers who claim the tax relief on their federal returns are required to make adjustments to their state returns to recognize differences between state and federal law. Under the bill, these taxpayers would no longer have to make these adjustments to their state returns. These taxpayers would need to file amended returns for 2003 and 2004 to claim the tax relief for Wisconsin purposes for these years.

The following provisions of MFTRA would be adopted for state tax purposes under this bill. Other provisions of the act do not have a substantive effect on Wisconsin.

- The military death benefit is doubled from \$6,000 to \$12,000 and the full amount of the benefit is excluded from income; previously, one-half of the benefit was taxable. These changes are retroactive to September 11, 2001, and thus apply to military operations in Afghanistan and Iraq, and other locations where military deaths have occurred since that date.
- The act clarifies that dependent care assistance provided by the U.S. Department of Defense is a qualified military benefit that is excluded from a taxpayer's gross income. The exclusion is effective for tax years beginning after December 31, 2002.
- The act eases a restriction on the exclusion for the gain from the sale of a residence for uniformed and foreign service personnel. Under current law, taxpayers may exclude up to \$250,000 (\$500,000 for married couples filing jointly) of gain from the sale of a principal residence if they owned and used the property as a principal residence for two or more years during the five years preceding the sale. Under the bill uniformed and foreign service personnel called to active duty away from home may elect to suspend the five-year test, for one property, for up to ten years. If the election is made, the five-year period does not include any period, up to ten years, during which the service member is on extended duty (more than 90 days) at least 50 miles from home or in government quarters under government orders. The provision is retroactive to sales made after May 6, 1997.
- An exclusion from income is provided for reimbursement paid to members of the military for losses on the sale of their homes resulting from declines in home values due to a military

base closure or reduction in operations. The exclusion, effective on November 12, 2003, is limited to the fair market value of the property.

- MFTRA provides an above-the-line deduction from gross income for travel expenses for members of the National Guard and Reserve when they travel more than 100 miles away from home and must stay away overnight. Previous law allowed for an itemized deduction for these expenses. The act applies to expenses paid or incurred for tax years starting after December 31, 2002.
- MFTRA expands the income and estate tax relief provided under the Victims of Terrorism Act of 2001 to astronauts who die in the line of duty, effective for deaths occurring after December 31, 2002. These provisions benefit the families of the astronauts killed in the space shuttle Columbia accident.
- MFTRA also allows the filing extension that is provided to military personnel serving in a combat zone under current law to troops deployed in contingency operations, that is, those who may become involved in military actions. Wisconsin automatically adopts federal filing extensions under current law.

Fairness/Tax Equity

- This bill provides tax relief to members of the military and their families, including doubling the benefits paid to military families if soldiers are killed in Iraq, Afghanistan, or other locations where military deaths have occurred since September 11, 2001.
- Eases taxpayer compliance for members of the military insofar as it eliminates differences in tax treatment between federal and Wisconsin law.

Impact on Economic Development

- This bill will prevent members of the military from experiencing losses on the sale of their property due to a decline in values after a base closure or reduction in military operations.
- The bill also allows members of the National Guard and Reserve to deduct travel expenses without itemizing their deductions. This would allow more members of the military to take the deduction.

Administrative Impact/Fiscal Effect

- This bill would reduce state income tax revenues annually by approximately \$500,000 annually, due to a deduction for travel expenses for National Guard and Reserve personnel. The ongoing loss from other provisions would be minimal. However, because most of the provisions of MFTRA are retroactive, there would be a one-time revenue loss of approximately \$2.25 million in FY06. This would consist of -\$0.2 million from a military death benefit exclusion, -\$0.3 million from easing a restriction on the exclusion for the gain from the sale of a residence, and -\$1.75 million from the travel expenses deduction. Thus, the total revenue loss in FY06 would be \$2.25 million. The revenue loss in FY07 and thereafter is expected to be \$500,000.

DOR Position

- Support with the exception of the deduction for travel expenses for National Guard and Reserve members which should be adopted prospectively as recommended in the Governor's biennial budget bill (AB 100).

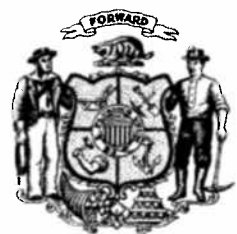
Prepared by: Kirstin Nelson, (608) 261-8984

April 18, 2005

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WISCONSIN STATE LEGISLATURE





Date ?

Testimony of State Senator Ron Brown Senate Bill 86 - Military Family Tax Relief Act

Chairman Kanavas and Committee members, thank you for hearing Senate Bill (SB) 86, legislation that will amend Wisconsin tax law to mirror changes in the federal tax code. I apologize that I am unable to testify before you in person, but previously scheduled events in the 31st Senate District require me to be in Tomah this afternoon.

On Veteran's Day 2003, President George W. Bush signed the Military Family Tax Relief Act (MFTRA), legislation that eased the tax burden on our nation's enlisted military members and their families. As a veteran, I understand the financial strain that often accompanies military life and I wanted to ensure that military families in Wisconsin would be able to receive the same benefits as other military families across the country. With that in mind, last session I authored Senate Bill (SB) 421, which incorporated the changes set forth in the MFTRA. Unfortunately, SB 421 was not enacted and I have redrafted the legislation, which is now before you as Senate Bill (SB) 86.

SB 86 will provide much needed tax relief to Wisconsin's active duty soldiers and their families. One of the most significant changes prescribed in SB 86 is the doubling of the military death benefit from \$6000 to \$12,000. In addition, this benefit would be 100% tax deductible, compared to current law which provides a 50% deduction. A fallen soldier's family would be allowed to retroactively claim this benefit up to September 11, 2001.

Soldiers returning from the battlefield face obstacles that many of us will never encounter. SB 86 takes this reality into account and clarifies that dependent care assistance provided by the United State Department of Defense is a qualified military benefit and may be excluded from a taxpaying soldier's gross income. The exclusion is also retroactive effective beginning December 31, 2002.

SB 86 recognizes the unique living requirements of military families. Often called to service with minimal notification, military home owners may be unable to take advantage of tax deductions that you and I may claim, specifically, a capital gain deduction for sale of a home. Current law allows a homeowner to deduct up to \$250,000 of gain from the sale of a principal residence if they owned and used the property for two or more years during the five years preceding the sale. SB 86 adjusts this deduction for military families to allow them to suspend the five year residency requirement on one principal property while a service member is on extended duty, in order to be eligible for the capital gains deduction on the sale of a primary residence.

Another important change SB 86 would incorporate into Wisconsin tax code is to allow members of the National Guard and Reserve to deduct service-related travel expenses from their gross income, rather than their adjusted gross income. SB 86 also clarifies that soldiers serving in a combat zone automatically qualify for a tax return filing extension. While Wisconsin typically adopts federal filing extensions, this bill would leave no doubt that Wisconsinites serving in a combat zone would be able to fully concentrate on the DMZ before them, not their 1040-EZ back home.

Make no mistake about it; I understand the financial challenges ahead of us as we work to balance our state budget. But these challenges do not begin to compare to those faced by Wisconsin's enlisted soldiers and their families. We ask much of the brave men and women who defend our freedom and there is no doubt that military service taxes soldiers and their families both mentally and physically. I see no reason why we should not pass legislation that will at least ease their tax burden.

I ask that you support our home grown soldiers and their families by supporting this important tax revision and vote to recommend SB 86 for passage. Thank you for your consideration.